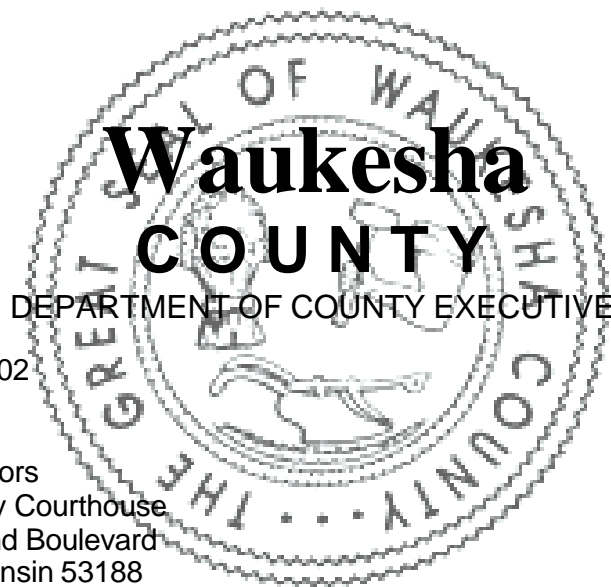


Daniel M. Finley

County Executive



September 25, 2002

Board of Supervisors
Waukesha County Courthouse
515 West Moreland Boulevard
Waukesha, Wisconsin 53188

Honorable County Board Members:

The past year has been marked with several challenges. We have lived with an economy that has not been as strong as it has been in recent years. Ethical lapses have raised credibility questions at certain businesses and governments. And, of course, the tragic events of 9/11 have had a profound impact on our great nation.

Challenges call for strong leadership, and I assure you that Waukesha County will, as always, lead the way. We continue to make public trust our top priority. This year's budget theme "Performance with Integrity" addresses our challenges and reflects our pledge to the taxpayers to work in a fiscally responsible manner.

This budget reflects Waukesha County's commitment to trust, and our values in providing responsible and ethical government services. We continue to invest in our seniors, our youth, public safety, transportation, technology, parks and open space. In doing so, we made necessary decisions to balance our needs with the desire for limited, responsible government.

We are proud to state that this budget addresses our priorities and also reduces the county property tax rate for the 13th year in a row. As proposed, the county property tax rate will drop to \$2.31 per \$1,000 in equalized value. Our commitment to fiscal responsibility has served this county well over the years and it continues today.

I am pleased to submit this budget to you for your consideration and confident it addresses our needs of today and readies us for the challenges of tomorrow.

MANAGING SPENDING AND TAXES

The County continues to be a leader, performing with integrity in financial management and budgeting by controlling spending, limiting tax increases, and taking into consideration the taxpayers ability to pay for quality government services. This is a difficult period for most local governments in Wisconsin. As the economy is slow to recover, revenues from Federal and State sources are stagnate or dwindling, and health care costs are skyrocketing. These issues taken together have made this year's budget one of the most challenging to assemble in over a decade. Yet this budget continues to meet priority needs while dealing with the negative economic impacts.

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The 2003 proposed budget tax levy rate declines by \$0.11 per \$1,000 property valuation from \$2.42 to \$2.31, a decrease of 4.5% from the 2002 budget level. Since 1990, the tax rate has been reduced by \$1.02 or over 30% from \$3.33 to \$2.31 per \$1,000 of property value.

The 2002 general County property tax of \$78,137,126 (for 2003 budget purposes) represents an increase of \$2,913,997 or 3.87% from the 2001 tax levy. As discussed below, at least half of the increase can be attributed to the dramatic increase in employee health care costs impacting the budget.

The County's 2003 budget appropriations total \$230,059,270, which consists of capital project spending of \$30,586,700 and operating expenditures of \$199,472,570. The operating expenditure increase is maintained at about 4.6% even after absorbing the skyrocketing health insurance cost impacts (an increase of \$2.4 million). Future year (2004-2006) operating costs will be higher from the impacts of a new Public Safety department including Countywide shared dispatch services (beginning in 2004) and the Justice Facility expansion project first phase operating impacts (2005).

A key factor in maintaining budgets with modest expenditure and tax levy increases is our ability to keep labor costs stable. Despite continued growth of the County, greater demands for services and recent dramatic increases in health insurance costs indicated above, the overall net personnel costs are contained at an increase of approximately 5.5%. The number of net new position authorized in this budget proposal is only 3.87 FTE. A New Public Safety department will start with 2.75 FTE related positions proposed in the 2003 budget, to carry out transition plans for the beginning of Countywide shared dispatch services.

IMPACT ON HOMEOWNERS

The tax bill impact on County residential taxpayers, based on an average home value at nearly \$205,000, as determined by the 2000 census and adjusted for residential market inflation, will result in a County tax increase of 1.8% or \$8.55 from last year. Due to varied municipal property assessment ratios to equalized values as determined by the State Department of Revenue and market inflation on property values, the tax bill impact on the County's equalized tax rate of \$2.31 per \$1,000 of property value will vary.

BUDGET DRIVERS

Again, this year's budget has been prepared under very difficult circumstances, but department heads and their staff have risen to the challenge, with creativity, innovation, and cost effective priority setting to meet the County Executive's tax levy increase goal. This year's challenge again results mainly from the continuing dramatic increases in employee health care insurance costs. During most of the 1990's, health care insurance cost inflation had been increasing on average at about 8% annually, while this budget reflects an increase of about 27% or \$1.9 million greater than usual.

The lack of a State/County partnership especially in funding for the State Circuit Court system and Human Services programs continues to put pressure on continuing service and increasing the County's tax levy. It has been publicized that the recently passed State budget repair bill has a structural deficit estimated to be over \$1.8 billion. Many uncertain factors that may arise from State budget repair bill reductions including responsibilities being shifted to local government without associated funding are not yet determined. Some of these unknown factors will likely come into focus during 2003. Also, as the County's budget was being prepared it was unclear whether State agency budget reductions would include funding decreases for State programs run by the County.

For the past seven years, the State budget has provided no increase in the County's major Human Services funding source, the Basic County Allocation (BCA). This lack of increase in BCA is a significant driver increasing Health and Human Services local levy need by \$1.1 million in this budget.

The State budget repair bill did nothing to change a difficult long-term provision that modifies the W-2 program for food stamps and medical assistance programs back to the welfare programs of the mid-1990's. This provision continues to threaten the future of the County's highly successful welfare to work programs by creating a potential future funding gap of more than \$300,000 per year.

Certain lower priority Human Services programs are reduced in this budget due to fiscal pressures. Reductions include plans to downsize and phase out the BASIC (Basic Assistance and Services for Individuals in Crisis) medical program. The Public Health division will eliminate it's vision/hearing screening clinics, and limit it's sexually transmitted disease clinics to provide services on an appointment only basis saving nearly \$100,000 in taxes. In addition, 3.0 FTE regular full time positions are not funded and 3.35 FTE temporary extra help funding has been reduced by nearly \$210,000 and reallocated to higher priority service areas.

Despite increasing court fee charges, the State has not provided for additional State circuit court support grant funding allocations to counties, absorbing the increased revenues into the state budget. Since these revenues are sent to Madison to fund state government, the County will levy nearly \$260,000 of additional property taxes to support State courts for 2003.

Other significant budget driver impacts include the following:

- ◆ Human Services Long-Term Care has been a major State funding priority for a number of years. The State continues this priority in 2003 by providing the County \$2.3 million in federal/state pass through funding for Community Options, Community Integration and Development disability programs. This saves the State medical assistance costs by keeping individuals out of high cost institutional settings. Part of this funding provides for \$1.8 millions of additional expenditure appropriation as the result of higher costs of care per day that is required for more complex services to keep eligible clients living in the community who are frail elderly, mentally ill, or who have physical or developmental disabilities.
- ◆ Human Services Developmental Disabilities budget includes expenditures increases of over \$750,000 and \$332,000 of additional County tax levy for intensive treatment services (mandated) for six court ordered individuals required to be placed at state centers, increases in the number of days of client care and inflationary cost increases for existing client care.
- ◆ Human Services Mental Health Outpatient Services budget includes additional tax levy for contractual service cost increases of \$286,000 for existing mental health care purchased services and \$125,000 for mental health outpatient client medication costs, a 32% increase, to keep chronically mental ill individuals stabilized in the community.
- ◆ Human Services - Birth to Three program for children who have developmental delays or disabilities is a State priority with additional state funding of \$188,000 for this mandated program. The total number of Children estimated to be served is increased by 87 to 964. In addition, the state is requiring that the current medical program model being provided by the contracted vendor be revamped to a "consultation" model, where children are to be served in their natural (home) environment with training provided to family members and care providers.

STRATEGIC BUDGET INITIATIVES

In these uncertain economic times with limited resources, we must continue to make prudent fiscal management priority decisions to invest wisely in our future and slow the growth of government.

- A new Public Safety Department is proposed to plan for a seamless transition to countywide shared dispatch services in 2004. The department will also be responsible for Courthouse and Central Campus Security of County facilities. To work on implementation of these two critical initiatives, 2.75 full time equivalent new positions (starting at various quarters in 2003) are proposed including a Communication Center Operations manager, a Training coordinator, a Senior Information System Professional and a Department Head. The new department has an initial year budget of \$225,000.
- The dispatch operations will locate at a new Public Safety communication center to provide combined dispatch and call taking services. Several municipal police, fire, emergency medical and public works operations will be dispatched from a single center delivering more efficient and cost effective service. The plan is for the center to be ready for providing service in 2004. The major benefits identified include direct cost savings for participating municipalities and their taxpayers along with technologically advanced and efficient facilities. It will include a new Computer Aided Dispatch (CAD) and records management technology to lead the way with more efficient and cost effective emergency dispatch center services.
- The Criminal Justice Coordinating Taskforce is recommending the establishment of a Criminal Justice Collaboration Council to carry out analysis/special studies and to recommend and implement comprehensive changes aimed at controlling jail inmate population growth. The Council is provided with budget appropriations totaling \$206,800 and additional county tax levy funding of \$100,000 to begin contracting for services that address front end and aftercare monitoring services to help reduce recidivism.
- The County Board passed a resolution to sell the historic Courthouse annex to the County Historical Society pending approval of a ten year contract agreement. Consistent with the resolution, the Parks budget continues to provide a \$215,000 program grant to assist in running the day-to-day operations of the museum. The Public Works budget will provide \$225,000 that is for a building operation grant to maintain the facility. In addition, \$235,000 is budgeted in the non-departmental budget for one-time capital expenditures and a capital grant for first year payment to the City of Waukesha, who will issue general obligation bonds to fund major renovation work.
- The County's Land information Systems (LIS) budget includes expenditure appropriation of \$473,000 funded with LIS fees and State Land Information Board grants. It includes the creation of one Land Information Mapping Technician position to respond to Information requests from the general public and County staff and will provide data integration activities and file maintenance of the Geographic information system.

To meet funding priorities, other services are reduced and/or restructured to meet budget objectives.

- Transit Services eliminates one New Berlin route (302) due to the low amount of riders and the resulting high costs per passenger trip. The route was instituted with Congestion Mitigation Air Quality (CMAQ) grant funding. This change will reduce spending by nearly \$410,000 and property tax levy is reduced by \$126,000. Also, the County is seeking a proposal to partner with Milwaukee County to administer the Transit program contracts at the tax levy amount in this budget proposal.

- A year ago, the D.A.R.E. Taskforce recommended that funding decisions for the program be made at the local (municipal or school district) level and for the County to discontinue tax levy funding for the program. For the 2003 budget, the remaining expenditures and tax levy are reduced in the Non-departmental budget by \$140,000 discontinuing reimbursement payments to municipalities not served by the Sheriff's department that provide DARE core program instruction. Also, the Sheriff's department budget was reduced approximately \$45,000 for a half year of operational cost and overtime that remained to complete the spring 2002 semester classes.
- The Sheriff's budget is also reduced for out of county prisoner placements and related transportation costs by \$100,000. It is anticipated that there will be less need for out of County inmate placements in 2003 as more cell space will be available due to holding less federal and state inmates.
- The UW Extension base budget for 2003 was reduced by \$85,000, for the full year impact of the approved 2002 mid-year base budget reductions. The expenditures reductions include discontinuing a contracted UW extension agent and a reduction of clerical help in the youth and family program.

INFRASTRUCTURE INVESTMENTS AND MANAGING DEBT

The County continues to prudently plan for its infrastructure needs and manage its debt financing carefully to protect its Aaa/AAA Bond rating. The Capital Projects 2003-2007 plan focuses on the Justice, Public Safety and Highway projects. Highway projects comprise almost half (48%) of project plan expenditures with the Jail Facility, and the Communication Center requiring more than one-third of the project plan expenditures.

Capital project spending for the first year of the plan budget year 2003 is at \$30,586,700 an increase of \$3,717,012. Key Capital projects with associated budget funding are as follows:

- ◆ On-going funding in 2003 for 25 existing projects totals nearly \$26.8 million or about 88% of the proposed budget. This includes \$17.2 million for new building construction. The Justice Facility project at \$8.5 million provides funding to begin construction in 2003 for the planned Jail expansion opening of 284 additional cells set for mid-2005. This project has been reduced by \$750,000 as the result of a lower than budgeted architect and engineering contract for the project. The largest change occurs in the new Communication Center project, where \$6.1 million is included for facility construction and equipment for a County Communications Center and Public Safety department. A project to expand Retzer Nature Center for \$1.2 million, includes adding meeting, program and presentation rooms, and also includes a partnership with the Waukesha School district for the construction of new \$400,000 planetarium which is expected to be funded by donations. Also, renovations to the UW-Waukesha Southview Hall are funded at \$1.4 million in this budget.
- ◆ The 2003 capital budget includes \$8.6 million for highway projects. Major road projects include a rehabilitation of County Trunk Highway (CTH) ES (Main Street), in the Village of Mukwonago with final year funding at \$2.6 million; The widening of CTH J (Pewaukee Road) in the City of Pewaukee to four lanes from Rockwood Drive to Capitol Drive with \$850,000 provided in 2003 and plans for the remaining funding of \$833,000 in 2004. The Highway repaving program is funded at over \$2.0 million to repave approximately 20 miles of roadway. The budget includes \$655,000 for bridge reconstruction at the intersection of Calhoun Road and CTH I (Beloit Road). Also, \$300,000 is budgeted in addition to prior year capital funding for reconstruction of CTH L (Janesville Road). This project is planned to widen Janesville Road to a 4 lanes for a 2.3 miles segment from Highway O (Moorland Road) to the County Line (124th Street).

- ◆ Eleven new projects add \$2.7 million to the 2003 budget. These projects include \$1.1 million for three intersection improvements to provide safer roadway conditions; funding of \$745,000 for Moor Downs golf course redevelopment as identified in the County Grounds Master Plan to accommodate the justice facility construction; four building projects adds \$635,000 including a boiler replacement at the Northview Facility, an energy management system at the Human Service Center, a transformer switch upgrade at UW-Waukesha and a computerized maintenance system for Public Works Building operations. These investments are expected to provide a rapid return on investment from utility and maintenance cost savings. A new project to address security and public safety at the courthouse and administration center is at \$120,000.
- ◆ The 2003 Capital budget is funded with revenues totaling \$4,590,869, which mainly consists of continuing state mandate relief funding of \$1.3 million and state funding estimated at \$1.1 million for the technology equipment exemption from personal property tax base. Transportation related funding from a combination of federal, state and local sources provides slightly over \$1.3 million and other project related revenues of almost \$900,000.
- ◆ Fund balance appropriations of \$6,548,125 (including \$5.1 million is general fund balance), includes \$2.0 million for a new communications center, and \$1.1 million of jail assessment fee revenues and \$400,000 of Federal prisoner revenues which are both reserved in prior years for the jail project. Capital project fund balance of \$1.3 million, (including \$800,000 from spending reductions made in 2002) are appropriated to fund projects.
- ◆ Also, Proprietary fund balance of almost \$1.7 million includes \$937,000 of golf course retained earnings proposed to fund two golf course projects and \$700,000 of Internal Service fund retained earnings which funds three technology projects.
- ◆ In addition, other major project funding includes debt borrowing of \$13.5 million; investment income on the borrowed funds of \$755,000 and a tax levy down payment of \$5,192,706. The tax levy amount budgeted for capital projects decrease \$412,982 from the 2002 budget and funds 26.7% of net expenditures (after revenues and fund balances are applied).
- ◆ The 2003 capital projects require an increase in total debt service tax levy of \$175,476. The debt service budget proposed for 2003 continues to be well within compliance of the State's imposed levy rate constraints on counties. The Debt service expenditure to total governmental operating expenditure ratio is maintained below 7%, which is well below the County's performance measure of less than 10%. This budget continues prudent debt management and capital budgeting policies and practices to maintain the County's coveted Aaa/AAA bond ratings which helps lower borrowing costs to the taxpayers.

ACKNOWLEDGEMENTS

This budget represents our County's on-going ability to perform with integrity. We will continue to lead the way with strategic long term planning, strong financial management, program cost budgeting which focuses on results including outcome based objectives, and performance measurement to provide quality and efficient services, while continuing efforts to limit the growth of County government.

Sincere appreciation is extended to department administrators and staff for their extra effort in developing this challenging budget. We look forward to working with the County Board of Supervisors during their thorough review process.

Daniel M. Finley, County Executive

Keith K. Swartz, Budget Manager

Norman A. Cummings, Director of Administration